

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-06
CEA-01 PA-02 PRS-01 /097 W
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R 102313Z JAN 78
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 5910
INFO ALL CONGENS IN CANADA

UNCLAS SECTION 01 OF 02 OTTAWA 00155

DEPT. PASS CEA, TREAS, FRB

E.O. 11652:N/A
TAGS: ECON, EFIN, CA
SUBJECT: CANADIAN UNEMPLOYMENT RATE RISES TO 8.5 PERCENT
IN DECEMBER

1. SUMMARY. SEASONALLY ADJUSTED UNEMPLOYMENT RATE ROSE
TO 8.5 PERCENT IN DECEMBER FROM NOVEMBER LEVEL OF 8.4
PERCENT. TOTAL EMPLOYMENT WAS VIRTUALLY UNCHANGED FROM
NOVEMBER; LEVEL OF UNEMPLOYMENT ROSE. UNEMPLOYMENT RATE
ROSE FOR PRIME AGE MALES, BUT FELL IN MAJORITY OF (SMALLER)
PROVINCES. ANNUAL AVERAGE UNEMPLOYMENT RATE WAS 8.1 PER-
CENT IN 1977. LABOR FORCE GREW BY 2.9 PERCENT; EMPLOYMENT
INCREASED BY 1.9 PERCENT; UNEMPLOYMENT BY 17 PERCENT. THE
RELATIONSHIP BETWEEN EMPLOYMENT GROWTH AND GNP GROWTH SEEMS
TO HAVE SHIFTED OVER LAST TWO YEARS DUE IN PART TO CHANGES
IN COMPOSITION OF OUTPUT (SEE PARA 7). END SUMMARY.

2. ACCORDING TO JANUARY 10 STATCAN RELEASE, SEASONALLY
ADJUSTED UNEMPLOYMENT RATE ROSE TO 8.5 PERCENT IN DECEMBER
FROM 8.4 PERCENT REGISTERED IN NOVEMBER. TOTAL EMPLOYMENT
WAS STAGNANT AT NOVEMBER LEVEL OF 8.4 MILLION, WHILE UNEM-
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PLOYMENT (S.A.) CLIMBED BY 11,000 TO 911,000. AGGREGATE
PARTICIPATION RATE DECLINED BY 0.1 TO 61.7 PERCENT REVERSING
GENERALLY RISING TREND DURING 1977.

3. OVER 12 MONTHS TO DECEMBER, LABOR FORCE GREW BY 4.2
PERCENT; TOTAL EMPLOYMENT, BY 3 PERCENT; UNEMPLOYMENT, BY
18 PERCENT. DURING THIS PERIOD, PARTICIPATION RATE

INCREASED FROM 60.6 PERCENT TO 61.7 PERCENT. PARTICIPATION RATE FOR WOMEN ROSE FROM 44.3 TO 46.3 PERCENT. UNEMPLOYMENT RATE STOOD AT 7.5 PERCENT IN DECEMBER, 1976.

4. UNEMPLOYMENT RATE FOR PRIME AGE MALES INCREASED FROM 4.8 PERCENT TO 5 PERCENT BETWEEN NOVEMBER AND DECEMBER. RATE WAS CONSTANT FOR WOMEN AND FOR MALES IN 15-24 AGE BRACKET.

5. UNEMPLOYMENT RATE FELL IN MAJORITY OF PROVINCES, BUT ROSE IN SASKATCHEWAN, ONTARIO, QUEBEC AND BRITISH COLUMBIA (SEE TABLE, PARA 9).

6. AVERAGE UNEMPLOYMENT RATE FOR 1977 WAS 8.1 PERCENT. AS LABOR FORCE ROSE BY 2.9 PERCENT OVER 1976 AVERAGE AND TOTAL EMPLOYMENT BY 1.9 PERCENT. AVERAGE PARTICIPATION RATE OVER THE PREVIOUS YEAR INCREASED BY 0.4 TO 61.5 PERCENT.

7. COMMENT. GROWTH OF EMPLOYMENT IN 1977 WAS STRONGER THAN MIGHT HAVE BEEN EXPECTED ON BASIS OF PAST RELATIONSHIPS BETWEEN EMPLOYMENT AND REAL GNP GROWTH. BETWEEN 1971 AND 1976, TOTAL EMPLOYMENT GREW AT AVERAGE ANNUAL RATE OF 3.2 PERCENT WITH AN AVERAGE ANNUAL GNP GROWTH OF 5 PERCENT. THUS, AN EXPECTED REAL GNP GROWTH OF 2.3 PERCENT IN 1977 WOULD GIVE EMPLOYMENT GROWTH OF JUST UNDER 1.5 PERCENT RATHER THAN THE 1.9 PERCENT WHICH ACTUALLY

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TOOK PLACE. IN 1976, THE OPPOSITE OCCURRED WITH EMPLOYMENT GROWTH OF ONLY 2.2 PERCENT AND OUTPUT GROWTH OF NEARLY 4.9 PERCENT. THE SHIFTS IN THE RELATIONSHIP BETWEEN EMPLOYMENT AND GNP GROWTH CAN BE EXPLAINED IN PART BY THE CHANGE IN THE SECTORAL PATTERN OF GROWTH. BETWEEN 1971 AND 1976, REAL OUTPUT OF SERVICES GREW AT AN AVERAGE ANNUAL RATE OF 5.2 PERCENT; OUTPUT OF GOODS BY 3.6 PERCENT. IN 1976, GROWTH OF GOODS AND SERVICES OUTPUT WERE IN CLOSER BALANCE (4.2 PERCENT AND 4.6 PERCENT RESPECTIVELY). SINCE PRODUCTION OF SERVICES IS RELATIVELY MORE LABOR INTENSIVE THAN PRODUCTION OF GOODS, THE ELASTICITY OF EMPLOYMENT GROWTH TO REAL GNP GROWTH WOULD DECLINE. LABOR HOARDING IN 1975, A RECESSION YEAR, ALSO HELPS EXPLAIN SLOW GROWTH OF EMPLOYMENT DURING RECOVERY IN 1976. ALTHOUGH THE RETURNS FOR 1977 ARE NOT YET COMPLETE, REAL OUTPUT OF GOODS DECLINED IN FIRST 10 MONTHS OF 1977 WHILE THAT OF SERVICES INCREASED BY NEARLY 2 PERCENT. THUS, SHIFT IN PATTERN OF GROWTH BACK TOWARDS SERVICES HELPS EXPLAIN RISE IN ELASTICITY OF EMPLOYMENT WITH RESPECT TO REAL OUTPUT.

8. IN 1978, COMPOSITION OF OUTPUT SHOULD AGAIN MOVE TOWARD BALANCE BETWEEN GOODS AND SERVICES AND EMPLOYMENT

COULD BE EXPECTED TO GROW BY 2 - 2.5 PERCENT.

9. DISTRIBUTION OF UNEMPLOYMENT BY PROVINCE; PERCENT

PROVINCE DEC.1977 NOV. 1977 DEC. 1976

P.E.I.	11.4	12.4	8.6
NOVA SCOTIA	10.2	10.7	9.8
NEWFOUNDLAND	17.5	17.9	13.8

9. DISTRIBUTION OF UNEMPLOYMENT BY PROVINCE; PERCENT
(CONTINUED)

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PROVINCE DEC. 1977 NOV. 1977 DEC. 1976

NEW BRUNSWICK	14.3	14.6	10.3
QUEBEC	11.5	11.4	9.8
ONTARIO	7.1	6.8	6.5
MANITOBA	6.2	6.5	4.9
SASKATCHEWAN	4.9	4.6	3.4
ALBERTA	4.6	4.7	4.0
BRITISH COLUMBIA	7.3	7.1	7.4
CANADA	8.5	8.4	7.5

ENDERS

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